

# A GENERALIZED MEAN-REVERTING EQUATION AND APPLICATIONS

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**ABSTRACT.** Consider a mean-reverting equation, generalized in the sense it is driven by a 1-dimensional centered Gaussian process with Hölder continuous paths on  $[0, T]$  ( $T > 0$ ).

Taking that equation in rough paths sense only gives local existence of the solution because the non-explosion condition is not satisfied in general. Under natural assumptions, by using specific methods, we show the global existence and uniqueness of the solution, its integrability, the continuity of the associated Itô map and we provide an  $L^p$ -converging approximation with a rate of convergence ( $p \geq 1$ ). The continuity of the Itô map ensures a large deviation principle for that generalized mean-reverting equation.

Finally, we study a generalized mean-reverting pharmacokinetic model.

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## 1. INTRODUCTION

Let  $W$  be a 1-dimensional centered Gaussian process with  $\alpha$ -Hölder continuous paths on  $[0, T]$  ( $T > 0$  and  $\alpha \in ]0, 1]$ ).

Consider the stochastic differential equation (SDE) :

$$(1) \quad X_t = x_0 + \int_0^t (a - bX_u) du + \sigma \int_0^t X_u^\beta dW_u ; t \in [0, T]$$

where,  $x_0 > 0$  is a deterministic initial condition,  $a, b, \sigma > 0$  are deterministic constants and  $\beta$  satisfies the following assumption :

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*Key words and phrases.* Rough paths, rough differential equations, large deviation principle, mean-reversion, Gaussian processes.

**Assumption 1.1.** *The exponent  $\beta$  satisfies :  $\beta \in ]1 - \alpha, 1]$ .*

When the driving signal is a standard Brownian motion, equation (1) taken in the sense of Itô, is used in many applications. For example, it is studied and applied in finance by J-P. Fouque et al. in [5] for  $\beta \in [1/2, 1[$ . The cornerstone of their approach is the Markov property of diffusion processes. In particular, their proof of the global existence and uniqueness of the solution at Appendix A involves S. Karlin and H.M. Taylor [9], Lemma 6.1(ii). Still for  $\beta \in [1/2, 1[$ , the convergence of the Euler approximation is proved by X. Mao et al. in [15]. For  $\beta \geq 1$ , equation (1) is studied by F. Wu et al. in [19]. Recently, in [16], N. Tien Dung got an expression and shown the Malliavin's differentiability of a class of fractional geometric mean-reverting processes.

Equation (1) is a generalization of the mean-reverting equation. In this paper, we study various properties of (1) by taking it in the sense of rough paths (cf. T. Lyons and Z. Qian [14]). Note that Doss-Sussman's method could also be used since (1) is a 1-dimensional equation (cf. H. Doss [4] and H.J. Sussman [18]). A priori, even in these senses, equation (1) admits only a local solution because it doesn't satisfy the non-explosion condition of [7], Exercice 10.56.

At Section 2, we state useful results on rough differential equations (RDEs) and Gaussian rough paths coming from P. Friz and N. Victoir [7]. Section 3 is devoted to study deterministic properties of (1). We show existence and uniqueness of the solution for equation (1), provide an explicit upper-bound for that solution and study the continuity of the associated Itô map. We also provide a converging approximation with a rate of convergence. Section 4 is devoted to study probabilistic properties of (1) ; basic properties, various integrability results and a large deviation principle. Finally, at Section 5, we study a pharmacokinetic model based on a particular generalized mean-reverting (M-R) equation (inspired by K. Kalogeropoulos et al. [11]).

## 2. ROUGH DIFFERENTIAL EQUATIONS AND GAUSSIAN ROUGH PATHS

Essentially inspired by P. Friz and N. Victoir [7], this section provides useful definitions and results on RDEs and Gaussian rough paths.

In a sake of completeness, results on rough differential equations are stated in the multidimensional case.

In the sequel,  $\|\cdot\|$  denotes the euclidean norm on  $\mathbb{R}^d$  and  $\|\cdot\|_{\mathcal{M}}$  the usual norm on  $\mathcal{M}_d(\mathbb{R})$  ( $d \in \mathbb{N}^*$ ).

Consider  $D_T$  the set of subdivisions for  $[0, T]$  and

$$\Delta_T = \{(s, t) \in \mathbb{R}_+^2 : 0 \leq s < t \leq T\}.$$

Let  $T^N(\mathbb{R}^d)$  be the step- $N$  tensor algebra over  $\mathbb{R}^d$  ( $N \in \mathbb{N}^*$ ) :

$$T^N(\mathbb{R}^d) = \bigoplus_{i=0}^N (\mathbb{R}^d)^{\otimes i}.$$

For  $i = 0, \dots, N$ ,  $(\mathbb{R}^d)^{\otimes i}$  is equipped with its euclidean norm  $\|\cdot\|_i$ , and the canonical projection on  $(\mathbb{R}^d)^{\otimes i}$  for any  $Y \in T^N(\mathbb{R}^d)$  is denoted by  $Y^i$ .

First, let's remind definitions of  $p$ -variation and  $\alpha$ -Hölder norms ( $p \geq 1$  and  $\alpha \in [0, 1]$ ) :

**Definition 2.1.** Consider  $y : [0, T] \rightarrow \mathbb{R}^d$  :

(1) The function  $y$  has finite  $p$ -variation if and only if,

$$\|y\|_{p\text{-var};T} = \sup_{D=\{r_k\} \in D_T} \left( \sum_{k=1}^{|D|-1} \|y_{r_{k+1}} - y_{r_k}\|^p \right)^{1/p} < \infty.$$

(2) The function  $y$  is  $\alpha$ -Hölder continuous if and only if,

$$\|y\|_{\alpha\text{-Höl};T} = \sup_{(s,t) \in \Delta_T} \frac{\|y_t - y_s\|}{|t - s|^\alpha} < \infty.$$

In the sequel, the space of continuous functions with finite  $p$ -variation will be denoted by :

$$C^{p\text{-var}}([0, T]; \mathbb{R}^d).$$

The space of  $\alpha$ -Hölder continuous functions will be denoted by :

$$C^{\alpha\text{-Höl}}([0, T]; \mathbb{R}^d).$$

If it is not specified, these spaces will always be equipped with norms  $\|\cdot\|_{p\text{-var};T}$  and  $\|\cdot\|_{\alpha\text{-Höl};T}$  respectively.

**Remark.** Note that :

$$C^{\alpha\text{-Höl}}([0, T]; \mathbb{R}^d) \subset C^{1/\alpha\text{-var}}([0, T]; \mathbb{R}^d).$$

**Definition 2.2.** Let  $y : [0, T] \rightarrow \mathbb{R}^d$  be a continuous function of finite 1-variation. The step- $N$  signature of  $y$  is the functional  $S_N(y) : \Delta_T \rightarrow T^N(\mathbb{R}^d)$  such that for every  $(s, t) \in \Delta_T$  and  $i = 1, \dots, N$ ,

$$S_{N;s,t}^0(y) = 1 \text{ and } S_{N;s,t}^i(y) = \int_{s < r_1 < r_2 < \dots < r_i < t} dy_{r_1} \otimes \dots \otimes dy_{r_i}.$$

Moreover,

$$G^N(\mathbb{R}^d) = \{S_{N;0,T}(y); y \in C^{1\text{-var}}([0, T]; \mathbb{R}^d)\}$$

is the step- $N$  free nilpotent group over  $\mathbb{R}^d$ .

**Definition 2.3.** A map  $Y : \Delta_T \rightarrow G^N(\mathbb{R}^d)$  is of finite  $p$ -variation if and only if,

$$\|Y\|_{p\text{-var};T} = \sup_{D=\{r_k\} \in D_T} \left( \sum_{k=1}^{|D|-1} \|Y_{r_k, r_{k+1}}\|_C^p \right)^{1/p} < \infty$$

where,  $\|\cdot\|_C$  is the Carnot-Carathéodory's norm such that for every  $g \in G^N(\mathbb{R}^d)$ ,

$$\|g\|_C = \inf \{ \text{length}(y); y \in C^{1\text{-var}}([0, T]; \mathbb{R}^d) \text{ and } S_{N;0,T}(y) = g \}.$$

In the sequel, the space of continuous functions from  $\Delta_T$  into  $G^N(\mathbb{R}^d)$  with finite  $p$ -variation will be denoted by :

$$C^{p\text{-var}}([0, T]; G^N(\mathbb{R}^d)).$$

If it is not specified, that space will always be equipped with  $\|\cdot\|_{p\text{-var};T}$ .

Let's define the Lipschitz regularity in the sense of Stein :

**Definition 2.4.** Consider  $\gamma > 0$ . A map  $V : \mathbb{R}^d \rightarrow \mathbb{R}$  is  $\gamma$ -Lipschitz (in the sense of Stein) if and only if  $V$  is  $C^{\lfloor \gamma \rfloor}$  on  $\mathbb{R}^d$ , bounded, with bounded derivatives and such that the  $\lfloor \gamma \rfloor$ -th derivative of  $V$  is  $\{\gamma\}$ -Hölder continuous ( $\lfloor \gamma \rfloor$  is the largest integer strictly smaller than  $\gamma$  and  $\{\gamma\} = \gamma - \lfloor \gamma \rfloor$ ).

The least bound is denoted by  $\|V\|_{\text{lip}^\gamma}$ . The map  $\|\cdot\|_{\text{lip}^\gamma}$  is a norm on the vector space of collections of  $\gamma$ -Lipschitz vector fields on  $\mathbb{R}^d$ , denoted by  $\text{Lip}^\gamma(\mathbb{R}^d)$ .

In the sequel,  $\text{Lip}^\gamma(\mathbb{R}^d)$  will always be equipped with  $\|\cdot\|_{\text{Lip}^\gamma}$ .

Let  $w : [0, T] \rightarrow \mathbb{R}^d$  be a continuous function of finite  $p$ -variation such that a geometric  $p$ -rough path  $\mathbb{W}$  exists over it. In other words, there exists an approximating sequence  $(w^n, n \in \mathbb{N})$  of functions of finite 1-variation such that :

$$\lim_{n \rightarrow \infty} d_{p\text{-var}; T} [S_{[p]}(w^n); \mathbb{W}] = 0.$$

We remind that if  $V = (V_1, \dots, V_d)$  is a collection of Lipschitz continuous vector fields on  $\mathbb{R}^d$ , the ordinary differential equation  $dy = V(y)dw^n$ , with initial condition  $y_0 \in \mathbb{R}^d$ , admits a unique solution.

That solution is denoted by  $\pi_V(0, y_0; w^n)$ .

Rigorously, a RDE's solution is defined as follow (cf. [7], Definition 10.17) :

**Definition 2.5.** *A continuous function  $y : [0, T] \rightarrow \mathbb{R}^d$  is a solution of  $dy = V(y)d\mathbb{W}$  with initial condition  $y_0 \in \mathbb{R}^d$  if and only if,*

$$\lim_{n \rightarrow \infty} \|\pi_V(0, y_0; w^n) - y\|_{\infty; T} = 0$$

where,  $\|\cdot\|_{\infty; T}$  is the uniform norm on  $[0, T]$ . If there exists a unique solution, it is denoted by  $\pi_V(0, y_0; \mathbb{W})$ .

**Theorem 2.6.** *Let  $V = (V_1, \dots, V_d)$  be a collection of locally  $\gamma$ -Lipschitz vector fields on  $\mathbb{R}^d$  ( $\gamma > p$ ) such that :  $V$  and  $D^{[p]}V$  are respectively globally Lipschitz continuous and  $(\gamma - [p])$ -Hölder continuous on  $\mathbb{R}^d$ . With initial condition  $y_0 \in \mathbb{R}^d$ , equation  $dy = V(y)d\mathbb{W}$  admits a unique solution  $\pi_V(0, y_0; \mathbb{W})$ .*

For a proof, see P. Friz and N. Victoir [7], Exercice 10.56.

For P. Friz and N. Victoir, the rough integral for a collection of  $(\gamma - 1)$ -Lipschitz vector fields  $V = (V_1, \dots, V_d)$  along  $\mathbb{W}$  is the projection of a particular full RDE's solution (cf. [7], Definition 10.34 for full RDEs) :  $d\mathbb{X} = \Phi(\mathbb{X})d\mathbb{W}$  where,

$$\forall i = 1, \dots, d, \forall a, w \in \mathbb{R}^d, \Phi_i(w, a) = (e_i, V_i(w))$$

and  $(e_1, \dots, e_d)$  is the canonical basis of  $\mathbb{R}^d$ .

In particular, if  $y : [0, T] \rightarrow \mathcal{M}_d(\mathbb{R})$  and  $z : [0, T] \rightarrow \mathbb{R}^d$  are two continuous functions, respectively of finite  $p$ -variation and finite  $q$ -variation with  $1/p + 1/q > 1$ , the Young integral of  $y$  with respect to  $z$  is denoted by  $\mathcal{Y}(y, z)$ .

**Remark.** We are not developing the notion of full RDE in that paper because it is not useful in the sequel. The reader has just to understand that a solution of a full RDE is a rough path. With appropriate topologies, the definition is similar to Definition 2.5. As mentioned above, the reader can refer to [7], Definition 10.34 for details.

For a proof of the following change of variable formula for geometric rough paths, cf. [1], Theorem 53 :

**Theorem 2.7.** *Let  $\Phi$  be a collection of  $\gamma$ -Lipschitz vector fields on  $\mathbb{R}^d$  ( $\gamma > p$ ) and let  $\mathbb{W}$  be a geometric  $p$ -rough path. Then,*

$$\forall (s, t) \in \Delta_T, \Phi(w_t) - \Phi(w_s) = \left[ \int_{s, t} D\Phi(\mathbb{W})d\mathbb{W} \right]_{s, t}^1.$$

Now, let state some results on 1-dimensional Gaussian rough paths :

Consider a stochastic process  $W$  defined on  $[0, T]$  and satisfying the following assumption :

**Assumption 2.8.**  *$W$  is a 1-dimensional centered Gaussian process with  $\alpha$ -Hölder continuous paths on  $[0, T]$  ( $\alpha \in ]0, 1[$ ).*

In the sequel, we work on the probability space  $(\Omega, \mathcal{A}, \mathbb{P})$  where  $\Omega = C^0([0, T]; \mathbb{R})$ ,  $\mathcal{A}$  is the  $\sigma$ -algebra generated by cylinder sets and  $\mathbb{P}$  is the probability measure induced by  $W$  on  $(\Omega, \mathcal{A})$ .

Since  $W$  is an 1-dimensional process, a natural geometric  $1/\alpha$ -rough path  $\mathbb{W}$  over it is defined by :

$$\forall(s, t) \in \Delta_T, \mathbb{W}_{s,t} = \left( 1, W_t - W_s, \dots, \frac{(W_t - W_s)^{[1/\alpha]}}{[1/\alpha]!} \right).$$

In particular, it is matching with the enhanced Gaussian process for  $W$  provided by P. Friz and N. Victoir at [7], Theorem 15.33 in the multidimensional case.

Finally, the Cameron-Martin's space of  $W$  is given by :

$$\mathcal{H}_W^1 = \{h \in C^0([0, T]; \mathbb{R}) : \exists Z \in \mathcal{A}_W \text{ s.t. } \forall t \in [0, T], h_t = \mathbb{E}(W_t Z)\}$$

with

$$\mathcal{A}_W = \overline{\text{span}\{W_t; t \in [0, T]\}}^{L^2}.$$

Let  $\langle \cdot, \cdot \rangle_{\mathcal{H}_W^1}$  be the map defined on  $\mathcal{H}_W^1 \times \mathcal{H}_W^1$  by :

$$\langle h, \tilde{h} \rangle_{\mathcal{H}_W^1} = \mathbb{E}(Z \tilde{Z})$$

where,

$$\forall t \in [0, T], h_t = \mathbb{E}(W_t Z) \text{ and } \tilde{h}_t = \mathbb{E}(W_t \tilde{Z})$$

with  $Z, \tilde{Z} \in \mathcal{A}_W$ .

That map is a scalar product on  $\mathcal{H}_W^1$  and, equipped with it,  $\mathcal{H}_W^1$  is a Hilbert space.

The triplet  $(\Omega, \mathcal{H}_W^1, \mathbb{P})$  is called an abstract Wiener space (cf. M. Ledoux [12]).

### 3. DETERMINISTIC PROPERTIES OF THE GENERALIZED MEAN-REVERTING EQUATION

In this section, we show existence and uniqueness of the solution for equation (1), provide an explicit upper-bound for that solution and study the continuity of the associated Itô map. We also provide a converging approximation for equation (1).

Consider a function  $w : [0, T] \rightarrow \mathbb{R}$  satisfying the following assumption :

**Assumption 3.1.** *The function  $w$  is  $\alpha$ -Hölder continuous ( $\alpha \in ]0, 1[$ ).*

Since  $w$  is a real-valued function, a natural geometric  $1/\alpha$ -rough path  $\mathbb{W}$  over it is defined by :

$$\forall(s, t) \in \Delta_T, \mathbb{W}_{s,t} = \left( 1, w_t - w_s, \dots, \frac{(w_t - w_s)^{[1/\alpha]}}{[1/\alpha]!} \right).$$

We also put  $\mathcal{W} = S_{[1/\alpha]}(\text{Id}_{[0, T]} \oplus \mathbb{W})$ , which is a geometric  $1/\alpha$ -rough path over

$$t \in [0, T] \longmapsto (t, w_t)$$

by [7], Theorem 9.26.

**Remark.** For a rigorous construction of Young pairing, the reader can refer to [7], Section 9.4.

Then, consider the rough differential equation :

$$(2) \quad dx = V(x)d\mathcal{W} \text{ with initial condition } x_0 \in \mathbb{R},$$

where  $V$  is the map defined on  $\mathbb{R}_+$  by :

$$\forall x \in \mathbb{R}_+, \forall t, w \in \mathbb{R}, V(x).(t, w) = (a - bx)t + \sigma x^\beta w.$$

For technical reasons, we introduce another equation :

$$(3) \quad y_t = y_0 + a(1 - \beta) \int_0^t y_s^{-\gamma} e^{bs} ds + \tilde{w}_t ; t \in [0, T], y_0 > 0$$

where,  $\gamma = \frac{\beta}{1-\beta}$  and

$$\tilde{w}_t = \int_0^t \vartheta_s dw_s \text{ with } \vartheta_t = \sigma(1 - \beta)e^{b(1-\beta)t}$$

for every  $t \in [0, T]$ . The integral is taken in the sense of Young.

The map  $u \in [\varepsilon, \infty[ \mapsto u^{-\gamma}$  belongs to  $C^\infty([\varepsilon, \infty[; \mathbb{R})$  and is bounded with bounded derivatives on  $[\varepsilon, \infty[$  for every  $\varepsilon > 0$ . Then, equation (3) admits a unique solution in the sense of Definition 2.5 by applying Theorem 2.6 up to the time

$$\tau_\varepsilon^1 = \inf \{t \in [0, T] : y_t = \varepsilon\} ; \varepsilon \in ]0, y_0],$$

by assuming that  $\inf(\emptyset) = \infty$ .

Consider also the time  $\tau_0^1 > 0$ , such that  $\tau_\varepsilon^1 \uparrow \tau_0^1$  when  $\varepsilon \rightarrow 0$ .

**3.1. Existence and uniqueness of the solution.** As mentioned above, Section 2 ensures that equation (3) has, at least locally, a unique solution denoted  $y$ . At Lemma 3.2, we prove it ensures that equation (2) admits also, at least locally, a unique solution (in the sense of Definition 2.5) denoted  $x$ . In particular, we show that  $x = y^{\gamma+1}e^{-bt}$ . At Proposition 3.3, we prove the global existence of  $y$  by using the fact it never hits 0 on  $[0, T]$ . These results together ensures the existence and uniqueness of  $x$  on  $[0, T]$ .

**Lemma 3.2.** *Consider  $y_0 > 0$ . Under assumptions 1.1 and 3.1, up to the time  $\tau_\varepsilon^1$  ( $\varepsilon \in ]0, y_0]$ ), if  $y$  is the solution of (3) with initial condition  $y_0$ , then*

$$x : t \in [0, \tau_\varepsilon^1] \mapsto x_t = y_t^{\gamma+1} e^{-bt}$$

*is the solution of (2) on  $[0, \tau_\varepsilon^1]$ , with initial condition  $x_0 = y_0^{\gamma+1}$ .*

*Proof.* Consider the solution  $y$  of (3) on  $[0, \tau_\varepsilon^1]$ , with initial condition  $y_0 > 0$ .

The continuous function  $z = ye^{-b(1-\beta)\cdot}$  is bounded by  $M_\varepsilon > 0$  on  $[0, \tau_\varepsilon^1]$ .

Since  $\gamma > 0$ , the map  $\Phi : u \in [0, M_\varepsilon] \mapsto u^{\gamma+1}$  is derivable, bounded, with bounded and  $\gamma$ -Hölder continuous derivative. Moreover, by Assumption 1.1,  $(\gamma + 1)\alpha > 1$ .

Then, by applying the change of variable formula (Theorem 2.7) to  $z$  and to the map  $\Phi$  between 0 and  $t \in [0, \tau_\varepsilon^1]$  :

$$\begin{aligned} x_t &= z_0^{\gamma+1} + (\gamma+1) \int_0^t z_s^\gamma dz_s \\ &= y_0^{\gamma+1} + \int_0^t (a - bx_s) ds + \sigma \int_0^t y_s^\gamma e^{-b\beta s} dw_s. \end{aligned}$$

Since  $\gamma = \beta(\gamma+1)$ , in the sense of Definition 2.5,  $x$  is the solution of (2) on  $[0, \tau_\varepsilon^1]$  with initial condition  $x_0 = y_0^{\gamma+1}$ .  $\square$

**Proposition 3.3.** *Under assumptions 1.1 and 3.1, with initial condition  $x_0 > 0$ ,  $\tau_0^1 > T$  and then, equation (2) admits a unique solution  $\tilde{\pi}_V(0, x_0; w)$  on  $[0, T]$ , satisfying :*

$$\tilde{\pi}_V(0, x_0; w) = \pi_V(0, x_0; \mathcal{W}).$$

*Proof.* Suppose that  $\tau_0^1 \leq T$ , put  $y_0 = x_0^{1-\beta}$  and consider the solution  $y$  of (3) on  $[0, \tau_\varepsilon^1]$  ( $\varepsilon \in ]0, y_0]$ ), with initial condition  $y_0$ .

On one hand, note that by definition of  $\tau_\varepsilon^1$  :

$$\begin{aligned} y_{\tau_\varepsilon^1} - y_t &= \varepsilon - y_t \text{ and} \\ y_{\tau_\varepsilon^1} - y_t &= a(1-\beta) \int_t^{\tau_\varepsilon^1} y_s^{-\gamma} e^{bs} ds + \tilde{w}_{\tau_\varepsilon^1} - \tilde{w}_t \end{aligned}$$

for every  $t \in [0, \tau_\varepsilon^1]$ . Then, since  $\tau_\varepsilon^1 \uparrow \tau_0^1$  when  $\varepsilon \rightarrow 0$  :

$$(4) \quad y_t + a(1-\beta) \int_t^{\tau_0^1} y_s^{-\gamma} e^{bs} ds = \tilde{w}_t - \tilde{w}_{\tau_0^1}$$

for every  $t \in [0, \tau_0^1]$ .

Moreover, since  $\tilde{w}$  is the Young integral of  $\vartheta \in C^\infty([0, T]; \mathbb{R}_+)$  against  $w$ , and  $w$  is  $\alpha$ -Hölder continuous,  $\tilde{w}$  is also  $\alpha$ -Hölder continuous (cf. [7], Theorem 6.8).

Together, equality (4) and the  $\alpha$ -Hölder continuity of  $\tilde{w}$  imply :

$$-\|\tilde{w}\|_{\alpha\text{-Hölder}; T}(\tau_0^1 - t)^\alpha \leq y_t + a(1-\beta) \int_t^{\tau_0^1} y_s^{-\gamma} e^{bs} ds \leq \|\tilde{w}\|_{\alpha\text{-Hölder}; T}(\tau_0^1 - t)^\alpha.$$

On the other hand, the two terms of that sum are positive. Then,

$$(5) \quad y_t \leq \|\tilde{w}\|_{\alpha\text{-Hölder}; T}(\tau_0^1 - t)^\alpha \text{ and}$$

$$(6) \quad a(1-\beta) \int_t^{\tau_0^1} y_s^{-\gamma} e^{bs} ds \leq \|\tilde{w}\|_{\alpha\text{-Hölder}; T}(\tau_0^1 - t)^\alpha.$$

Since  $t \in [0, \tau_0^1]$  has been chosen arbitrarily, inequality (5) is true for every  $s \in [t, \tau_0^1]$  and implies :

$$y_s^{-\gamma} \geq \|\tilde{w}\|_{\alpha\text{-Hölder}; T}^{-\gamma} (\tau_0^1 - s)^{-\alpha\gamma}.$$

Then, from inequality (6), necessarily :

$$\begin{aligned} a(1-\beta) \|\tilde{w}\|_{\alpha\text{-Hölder}; T}^{-\gamma} \int_t^{\tau_0^1} (\tau_0^1 - s)^{-\alpha\gamma} ds &\leq a(1-\beta) \int_t^{\tau_0^1} y_s^{-\gamma} e^{bs} ds \\ &\leq \|\tilde{w}\|_{\alpha\text{-Hölder}; T} (\tau_0^1 - t)^\alpha. \end{aligned}$$

Therefore, if  $\beta > 1 - \alpha$ ,  $\tau_0^1 \notin [0, T]$ .

An immediate consequence is that :

$$\bigcup_{\varepsilon \in ]0, y_0]} [0, \tau_\varepsilon^1] \cap [0, T] = [0, T].$$

Then, (3) admits a unique solution on  $[0, T]$  by putting :

$$y = y^\varepsilon \text{ on } [0, \tau_\varepsilon^1] \cap [0, T]$$

where,  $y^\varepsilon$  denotes the solution of (3) on  $[0, \tau_\varepsilon^1] \cap [0, T]$  for every  $\varepsilon \in ]0, y_0]$ .

In conclusion, by Lemma 3.2, equation (2) admits a unique solution  $\tilde{\pi}_V(0, x_0; w)$  on  $[0, T]$ , matching with  $y^{\gamma+1}e^{-bt}$ .  $\square$

**Remark.** Note that the statement of Lemma 3.2 is true when  $a = 0$ , and up to the time  $\tau_0^1$  ; equation (2) has a unique explicit solution :

$$\forall t \in [0, \tau_0^1], x_t = \left(x_0^{1-\beta} + \tilde{w}_t\right)^{\gamma+1} e^{-bt}.$$

However, in that case,  $\tau_0^1 \notin [0, T]$  is not true in general. Then,  $x$  is matching with the solution of equation (2) only locally. It is sufficient for the application in pharmacokinetic provided at Section 5.

**3.2. Upper-bound for the solution and continuity of the Itô map.** Under assumptions 1.1 and 3.1, we provide an explicit upper-bound for  $\|\tilde{\pi}_V(0, x_0; w)\|_{\infty; T}$  and show continuity results for the Itô map :

**Proposition 3.4.** *Under assumptions 1.1 and 3.1, for any initial condition  $x_0 > 0$ ,*

$$\|\tilde{\pi}_V(0, x_0; w)\|_{\infty; T} \leq \left[ x_0^{1-\beta} + a(1-\beta)e^{bT}x_0^{-\beta}T + \sigma(b \vee 2)(1-\beta)(1+T)e^{b(1-\beta)T}\|w\|_{\infty; T} \right]^{\gamma+1}.$$

*Proof.* Consider  $y_0 = x_0^{1-\beta}$ ,  $y$  the solution of (3) with initial condition  $y_0$  and

$$\tau_{y_0}^2 = \sup \{t \in [0, T] : y_t \leq y_0\}.$$

On one hand, we consider the two following cases :

(1) If  $t < \tau_{y_0}^2$  :

$$y_{\tau_{y_0}^2} - y_t = a(1-\beta) \int_t^{\tau_{y_0}^2} y_s^{-\gamma} e^{bs} ds + \tilde{w}_{\tau_{y_0}^2} - \tilde{w}_t.$$

Then, by definition of  $\tau_{y_0}^2$  :

$$(7) \quad y_t + a(1-\beta) \int_t^{\tau_{y_0}^2} y_s^{-\gamma} e^{bs} ds = y_0 + \tilde{w}_t - \tilde{w}_{\tau_{y_0}^2}.$$

Therefore, since each term of the sum in the left-hand side of equality (7) are positive from Proposition 3.3 :

$$0 < y_t \leq y_0 + |\tilde{w}_t - \tilde{w}_{\tau_{y_0}^2}|.$$

(2) If  $t \geq \tau_{y_0}^2$  ; by definition of  $\tau_{y_0}^2$ ,  $y_t \geq y_0$  and then,  $y_t^{-\gamma} \leq y_0^{-\gamma}$ . Therefore,

$$y_0 \leq y_t \leq y_0 + a(1-\beta)e^{bT}y_0^{-\gamma}T + |\tilde{w}_t - \tilde{w}_{\tau_{y_0}^2}|.$$



On the other hand, by using the integration by parts formula, for every  $t \in [0, T]$ ,

$$\begin{aligned} |\tilde{w}_t - \tilde{w}_{\tau_{y_0}^2}| &= \sigma(1 - \beta) \left| \int_{\tau_{y_0}^2}^t e^{b(1-\beta)s} dw_s \right| \\ &\leq \sigma(b \vee 2)(1 - \beta)(1 + T)e^{b(1-\beta)T} \|w\|_{\infty; T}. \end{aligned}$$

Therefore, by putting cases 1 and 2 together ; for every  $t \in [0, T]$ ,

$$(8) \quad 0 < y_t \leq y_0 + a(1 - \beta)e^{bT}y_0^{-\gamma}T + \sigma(b \vee 2)(1 - \beta)(1 + T)e^{b(1-\beta)T} \|w\|_{\infty; T}.$$

That achieves the proof because,  $\tilde{\pi}_V(0, x_0; w) = y^{\gamma+1}e^{-b}$  and the right hand side of inequality (8) is not depending on  $t$ .  $\square$

**Remark.** In particular, by Proposition 3.4,  $\|\tilde{\pi}_V(0, x_0; w)\|_{\infty; T}$  does not explode when  $a \rightarrow 0$  or/and  $b \rightarrow 0$ .

We remind that if it's not specified,  $C^{\alpha\text{-Hö}}([0, T]; \mathbb{R})$  and  $C^0([0, T]; \mathbb{R})$  are respectively equipped with  $\|\cdot\|_{\alpha\text{-Hö}; T}$  and  $\|\cdot\|_{\infty; T}$ .

**Proposition 3.5.** *Under assumptions 1.1 and 3.1,  $\tilde{\pi}_V(0, \cdot)$  is a continuous map from  $\mathbb{R}_+^* \times C^{\alpha\text{-Hö}}([0, T]; \mathbb{R})$  into  $C^0([0, T]; \mathbb{R})$ .*

*Proof.* Consider  $x_0^1, x_0^2 > 0$  and  $w^1, w^2 : [0, T] \rightarrow \mathbb{R}$  two functions satisfying Assumption 3.1.

For  $i = 1, 2$ , we put  $y_0^i = (x_0^i)^{1-\beta}$  and  $y^i = I(y_0^i, \tilde{w}^i)$  where,

$$\forall t \in [0, T], \tilde{w}_t^i = \int_0^t \vartheta_s dw_s^i$$

and, with notations of equation (3),  $I$  is the map defined by :

$$I(y_0, \tilde{w}) = y_0 + a(1 - \beta) \int_0^\cdot I_s^{-\gamma}(y_0, \tilde{w}) e^{bs} ds + \tilde{w}.$$

We also put :

$$\tau^3 = \inf \{s \in [0, T] : y_s^1 = y_s^2\}.$$

On one hand, we consider the two following cases :

- (1) Consider  $t \in [0, \tau^3]$  and suppose that  $y_0^1 \geq y_0^2$ .

Since  $y^1$  and  $y^2$  are continuous on  $[0, T]$  by construction, for every  $s \in [0, \tau^3]$ ,  $y_s^1 \geq y_s^2$  and then,

$$(y_s^1)^{-\gamma} - (y_s^2)^{-\gamma} \leq 0.$$

Therefore,

$$\begin{aligned} |y_t^1 - y_t^2| &= y_t^1 - y_t^2 \\ &= y_0^1 - y_0^2 + \int_0^t e^{bs} [(y_s^1)^{-\gamma} - (y_s^2)^{-\gamma}] ds + \tilde{w}_t^1 - \tilde{w}_t^2 \\ &\leq |y_0^1 - y_0^2| + \|\tilde{w}^1 - \tilde{w}^2\|_{\infty; T}. \end{aligned}$$

Symmetrically, one can show that this inequality is still true when  $y_0^1 \leq y_0^2$ .

- (2) Consider  $t \in [\tau^3, T]$ ,

$$\tau^3(t) = \sup \{s \in [\tau^3, t] : y_s^1 = y_s^2\}$$

and suppose that  $y_t^1 \geq y_t^2$ .

Since  $y^1$  and  $y^2$  are continuous on  $[0, T]$  by construction, for every  $s \in [\tau^3(t), t]$ ,  $y_s^1 \geq y_s^2$  and then,

$$(y_s^1)^{-\gamma} - (y_s^2)^{-\gamma} \leq 0.$$

Therefore,

$$\begin{aligned} |y_t^1 - y_t^2| &= y_t^1 - y_t^2 \\ &= \int_{\tau^3(t)}^t e^{bs} [(y_s^1)^{-\gamma} - (y_s^2)^{-\gamma}] ds + \tilde{w}_t^1 - \tilde{w}_t^2 - [\tilde{w}_{\tau^3(t)}^1 - \tilde{w}_{\tau^3(t)}^2] \\ &\leq 2\|\tilde{w}^1 - \tilde{w}^2\|_{\infty; T}. \end{aligned}$$

Symmetrically, one can show that this inequality is still true when  $y_t^1 \leq y_t^2$ . On the other hand, by putting these cases together and since the obtained upper-bounds are not depending on  $t$  :

$$\|y^1 - y^2\|_{\infty; T} \leq |y_0^1 - y_0^2| + 2T^\alpha \|\tilde{w}^1 - \tilde{w}^2\|_{\alpha\text{-H\"ol}; T}.$$

Then,  $I$  is continuous from  $\mathbb{R}_+^* \times C^{\alpha\text{-H\"ol}}([0, T]; \mathbb{R})$  into  $C^0([0, T]; \mathbb{R})$ .

For any function  $w : [0, T] \rightarrow \mathbb{R}$  satisfying Assumption 3.1, from Lemma 3.2 and Proposition 3.3 :

$$\tilde{\pi}_V(0, x_0; w) = e^{-b \cdot I^{\gamma+1}} \left[ x_0^{1-\beta}, \mathcal{Y}(\vartheta, w) \right].$$

Moreover, by [7], Proposition 6.12,  $\mathcal{Y}(\vartheta, \cdot)$  is continuous from  $C^{\alpha\text{-H\"ol}}([0, T]; \mathbb{R})$  into itself.

By composition, that achieves the proof.  $\square$

**Remark.** Classical continuity results for the Itô map (cf. [7], Chapter 10) don't work here because they provide an upper-bound for  $\|y^1 - y^2\|_{\infty; T}$  depending on :

$$\min_{t \in [0, T]} y_t^1 \text{ and } \min_{t \in [0, T]} y_t^2.$$

With similar ideas, the following proposition extends that continuity result a little bit.

Consider

$$C_{\alpha, T} = \{\lambda \text{Id}_{[0, T]}; \lambda \in \mathbb{R}\} \times C^{\alpha\text{-H\"ol}}([0, T]; \mathbb{R}),$$

equipped with  $\|\cdot\|_{\alpha, T}$  such that :

$$\begin{aligned} \|\varphi\|_{\alpha, T} &= \|\lambda \text{Id}_{[0, T]}\|_{\infty; T} + \|w\|_{\alpha\text{-H\"ol}; T} \\ &= |\lambda|T + \|w\|_{\alpha\text{-H\"ol}; T} \end{aligned}$$

for every  $\varphi = (\lambda \text{Id}_{[0, T]}, w)$  where,  $\lambda \in \mathbb{R}$  and  $w \in C^{\alpha\text{-H\"ol}}([0, T]; \mathbb{R})$ .

We also consider :

$$(9) \quad x_t(\lambda) = x_0 + \int_0^t [\hat{a} - \hat{b}x_s(\lambda)] \lambda ds + \sigma \int_0^t x_s^\beta(\lambda) dw_s; \quad t \in [0, T], \quad x_0 > 0$$

for any  $\hat{a}, \hat{b}, \lambda > 0$ .

By applying Proposition 3.3 to (9) with  $a = \lambda \hat{a}$  and  $b = \lambda \hat{b}$ , that equation admits a unique solution  $\hat{\pi}_V(0, x_0; \varphi_{\lambda, w})$  on  $[0, T]$ , satisfying :

$$\hat{\pi}_V(0, x_0; \varphi_{\lambda, w}) = \tilde{\pi}_{V_\lambda}(0, x_0; w)$$

where,  $\varphi_{\lambda,w} = (\lambda \text{Id}_{[0,T]}, w)$  and,  $V_\lambda$  and  $V$  are two maps respectively defined on  $\mathbb{R}_+$  by :

$$\begin{aligned} \forall x \in \mathbb{R}_+, \forall t, w \in \mathbb{R}, V_\lambda(x).(t, w) &= (\hat{a} - \hat{b}x)\lambda t + \sigma x^\beta w \text{ and} \\ \forall x \in \mathbb{R}_+, \forall h, w \in \mathbb{R}, V(x).(h, w) &= (\hat{a} - \hat{b}x)h + \sigma x^\beta w. \end{aligned}$$

**Remark.** Notation  $\hat{\pi}_V(0, x_0; \varphi_{\lambda,w})$  is justified, because it is also matching with  $\pi_V(0, x_0; \mathcal{W}_\lambda)$  where,  $\mathcal{W}_\lambda = S_{[p]}(\lambda \text{Id}_{[0,T]} \oplus \mathbb{W})$ .

Existence and uniqueness of  $\pi_V(0, x_0; \mathcal{W}_\lambda)$  is given by Proposition 3.3 via the immediate argument mentioned above. However, existence, uniqueness and other properties of

$$\hat{\pi}_V[0, x_0; (h, w)] = \pi_V[0, x_0; S_{[p]}(h \oplus \mathbb{W})]$$

for  $h \in C^{p\text{-var}}([0, T]; \mathbb{R})$  such that  $\alpha + 1/p > 1$  will be studied in another paper.

Now, let study the continuity of  $\hat{\pi}_V(0, x_0; \cdot)$  on the following subset of  $C_{\alpha,T}$  :

$$C_{\alpha,T}^+ = \{ \lambda \text{Id}_{[0,T]}; \lambda \in \mathbb{R}_+^* \} \times C^{\alpha\text{-Hö}}([0, T]; \mathbb{R}).$$

**Proposition 3.6.** *Under assumptions 1.1 and 3.1,  $\hat{\pi}_V(0, x_0; \cdot)$  is a continuous map from  $C_{\alpha,T}^+$  into  $C^0([0, T]; \mathbb{R})$ .*

*Proof.* Let  $\varphi_0 = (\lambda_0 \text{Id}_{[0,T]}, \tilde{w}^0)$  be an element of  $C_{\alpha,T}^+$ , such that  $\tilde{w}_0^0 = 0$ .

On one hand, consider  $y_0 = x_0^{1-\beta}$  and the map  $J$  defined by :

$$J(\varphi) = y_0 + \lambda \hat{a}(1 - \beta) \int_0^\cdot J_s^{-\gamma}(\varphi) e^{\lambda \hat{b}s} ds + \tilde{w}$$

for every  $\varphi = (\lambda \text{Id}_{[0,T]}, \tilde{w}) \in C_{\alpha,T}^+$ .

Then, for every  $t \in [0, T]$ ,

$$\begin{aligned} J_t(\varphi) - J_t(\varphi_0) &= \hat{a}(1 - \beta) \int_0^t \lambda e^{\lambda \hat{b}s} [J_s^{-\gamma}(\varphi) - J_s^{-\gamma}(\varphi_0)] ds + \\ &\quad \hat{a}(1 - \beta) \int_0^t (\lambda e^{\lambda \hat{b}s} - \lambda_0 e^{\lambda_0 \hat{b}s}) J_s^{-\gamma}(\varphi_0) ds + \tilde{w}_t - \tilde{w}_t^0. \end{aligned}$$

With arguments of Proposition 3.5 :

$$\begin{aligned} \|J(\varphi) - J(\varphi_0)\|_{\infty;T} &\leq \hat{a}(1 - \beta) T \|\lambda e^{\lambda \hat{b} \cdot} - \lambda_0 e^{\lambda_0 \hat{b} \cdot}\|_{\infty;T} \|J^{-\gamma}(\varphi_0)\|_{\infty;T} + \\ &\quad 2T^\alpha \|\tilde{w} - \tilde{w}^0\|_{\alpha\text{-Hö};T}. \end{aligned}$$

Therefore,

$$\|J(\varphi) - J(\varphi_0)\|_{\infty;T} \xrightarrow[\varphi \rightarrow \varphi_0]{\|\cdot\|_{C_{\alpha,T}}} 0.$$

In other words,  $J$  is continuous from  $C_{\alpha,T}^+$  into  $C^0([0, T]; \mathbb{R})$ .

On the other hand, for any function  $w : [0, T] \rightarrow \mathbb{R}$  satisfying Assumption 3.1 and any  $\lambda > 0$ , from Lemma 3.2 and Proposition 3.3 :

$$\begin{aligned} \hat{\pi}_V(0, x_0; \varphi_{\lambda,w}) &= \tilde{\pi}_{V_\lambda}(0, x_0; w) \\ &= e^{-\lambda \hat{b} \cdot} J^{\gamma+1}[\lambda \text{Id}_{[0,T]}, \mathcal{Y}(\vartheta_\lambda, w)] \end{aligned}$$

where,  $\vartheta_\lambda = \sigma(1 - \beta)e^{\lambda \hat{b}(1-\beta) \cdot}$  and  $\varphi_{\lambda,w} = (\lambda \text{Id}_{[0,T]}, w)$ .

Moreover, by [7], Proposition 6.12,  $\mathcal{Y}$  is continuous from

$$C^{1\text{-Hö}}([0, T]; \mathbb{R}) \times C^{\alpha\text{-Hö}}([0, T]; \mathbb{R}) \text{ into } C^{\alpha\text{-Hö}}([0, T]; \mathbb{R}).$$

By composition, that achieves the proof.  $\square$

**Remark.** As mentioned above, by Proposition 3.4,  $\|\hat{\pi}_V[0, x_0; (\lambda \text{Id}_{[0,T]}, w)]\|_{\infty;T}$  does not explode when  $\lambda \rightarrow 0$ . Precisely, there exists at least one sequence  $(\lambda_n, n \in \mathbb{N})$  of elements of  $\mathbb{R}_+^*$  and one continuous function  $L : [0, T] \rightarrow \mathbb{R}_+$  such that :

$$\lim_{n \rightarrow \infty} \lambda_n = 0 \text{ and } \lim_{n \rightarrow \infty} \|\hat{\pi}_V[0, x_0; (\lambda_n \text{Id}_{[0,T]}, w)] - L\|_{\infty;T} = 0.$$

**3.3. A converging approximation.** In order to provide a converging approximation for equation (2), we first prove the convergence of the implicit Euler approximation  $(y^n, n \in \mathbb{N}^*)$  for equation (3) :

$$(10) \quad \begin{cases} y_0^n = y_0 > 0 \\ y_{k+1}^n = y_k^n + \frac{a(1-\beta)T}{n} (y_{k+1}^n)^{-\gamma} e^{bt_{k+1}^n} + \tilde{w}_{t_{k+1}^n} - \tilde{w}_{t_k^n} \end{cases}$$

where, for  $n \in \mathbb{N}^*$ ,  $t_k^n = kT/n$  and  $k \leq n$  while  $y_{k+1}^n > 0$ .

The following proposition shows that the implicit step- $n$  Euler approximation  $y^n$  is defined on  $\{1, \dots, n\}$  :

**Proposition 3.7.** *Under assumptions 1.1 and 3.1, equation (10) admits a unique solution  $(y^n, n \in \mathbb{N}^*)$ . Moreover,*

$$\forall n \in \mathbb{N}^*, \forall k = 0, \dots, n, y_k^n > 0.$$

*Proof.* Let  $f$  be the function defined on  $\mathbb{R}_+^* \times \mathbb{R} \times \mathbb{R}_+^*$  by :

$$\forall a \in \mathbb{R}, \forall x, b > 0, f(x, a, b) = x - bx^{-\gamma} - a.$$

On one hand, for every  $a \in \mathbb{R}$  and  $b > 0$ ,  $f(\cdot, a, b) \in C^\infty(\mathbb{R}_+^*; \mathbb{R})$  and for every  $x > 0$ ,

$$\partial_x f(x, a, b) = 1 + b\gamma x^{-(\gamma+1)} > 0.$$

Then,  $f(\cdot, a, b)$  increase on  $\mathbb{R}_+^*$ . Moreover,

$$\lim_{x \rightarrow 0^+} f(x, a, b) = -\infty \text{ and } \lim_{x \rightarrow \infty} f(x, a, b) = \infty.$$

Therefore, since  $f$  is continuous on  $\mathbb{R}_+^* \times \mathbb{R} \times \mathbb{R}_+^*$  :

$$(11) \quad \forall a \in \mathbb{R}, \forall b > 0, \exists ! x > 0 : f(x, a, b) = 0.$$

On the other hand, for every  $n \in \mathbb{N}^*$ , equation (10) can be rewritten as follow :

$$(12) \quad f\left[y_{k+1}^n, \frac{a(1-\beta)T}{n} e^{bt_{k+1}^n}, y_k^n + \tilde{w}_{t_{k+1}^n} - \tilde{w}_{t_k^n}\right] = 0.$$

In conclusion, under Assumption 1.1, by applying (11) to equation (12) for each integer  $k$  between 0 and  $n$ ,  $y^n$  is defined on  $\{1, \dots, n\}$ .

Necessarily,  $y_k^n > 0$  for  $k = 0, \dots, n$ .

That achieves the proof.  $\square$

For every  $n \in \mathbb{N}^*$ , consider the function  $y^n : [0, T] \rightarrow \mathbb{R}_+^*$  such that :

$$y_t^n = \sum_{k=0}^{n-1} \left[ y_k^n + \frac{y_{k+1}^n - y_k^n}{t_{k+1}^n - t_k^n} (t - t_k^n) \right] \mathbf{1}_{[t_k^n, t_{k+1}^n[}(t)$$

for every  $t \in [0, T]$ .

The following lemma provides an explicit upper-bound for  $(n, t) \in \mathbb{N}^* \times [0, T] \mapsto y_t^n$ . It is crucial in order to prove probabilistic convergence results at Section 4.

**Lemma 3.8.** *Under assumptions 1.1 and 3.1 :*

$$\sup_{n \in \mathbb{N}^*} \|y^n\|_{\infty;T} \leq y_0 + a(1-\beta)e^{bT}y_0^{-\gamma}T + \sigma(b \vee 2)(1-\beta)(1+T)e^{b(1-\beta)T}\|w\|_{\infty;T}.$$

*Proof.* Similar to the proof of Proposition 3.4.

First of all, by applying (10) recursively between integers  $0 \leq l < k \leq n$  and a change of variable :

$$(13) \quad y_k^n - y_l^n = \frac{a(1-\beta)T}{n} \sum_{i=l+1}^k (y_i^n)^{-\gamma} e^{bt_i^n} + \tilde{w}_{t_k^n} - \tilde{w}_{t_l^n}.$$

Consider  $n \in \mathbb{N}^*$  and

$$k_{y_0} = \max \{k = 0, \dots, n : y_k \leq y_0\}.$$

For each  $k = 1, \dots, n$ , we consider the two following cases :

(1) If  $k < k_{y_0}$ , from equality (13) :

$$y_{k_{y_0}}^n - y_k^n = \frac{a(1-\beta)T}{n} \sum_{i=k+1}^{k_{y_0}} (y_i^n)^{-\gamma} e^{bt_i^n} + \tilde{w}_{t_{k_{y_0}}^n} - \tilde{w}_{t_k^n}.$$

Then,

$$(14) \quad y_k^n + \frac{a(1-\beta)T}{n} \sum_{i=k+1}^{k_{y_0}} (y_i^n)^{-\gamma} e^{bt_i^n} = y_{k_{y_0}}^n + \tilde{w}_{t_k^n} - \tilde{w}_{t_{k_{y_0}}^n}.$$

Therefore, since each term of the sum in the left-hand side of equality (14) are positive from Proposition 3.7 :

$$\begin{aligned} 0 < y_k^n &\leq y_k^n + \frac{a(1-\beta)T}{n} \sum_{i=k+1}^{k_{y_0}} (y_i^n)^{-\gamma} e^{bt_i^n} \\ &\leq y_0 + |\tilde{w}_{t_k^n} - \tilde{w}_{t_{k_{y_0}}^n}| \end{aligned}$$

because  $y_{k_{y_0}}^n \leq y_0$ .

(2) If  $k > k_{y_0}$  ; by definition of  $k_{y_0}$ , for  $i = k_{y_0} + 1, \dots, k$ ,  $y_i^n > y_0$  and then,  $(y_i^n)^{-\gamma} \leq y_0^{-\gamma}$ . Therefore, from equality (13) :

$$\begin{aligned} y_0 &\leq y_k^n = y_{k_{y_0}}^n + \frac{a(1-\beta)T}{n} \sum_{i=k_{y_0}+1}^k (y_i^n)^{-\gamma} e^{bt_i^n} + \tilde{w}_{t_{k_{y_0}}^n} - \tilde{w}_{t_k^n} \\ &\leq y_0 + a(1-\beta)e^{bT}y_0^{-\gamma}T + |\tilde{w}_{t_k^n} - \tilde{w}_{t_{k_{y_0}}^n}|. \end{aligned}$$

As at Proposition 3.4 :

$$(15) \quad \sup_{t \in [0, T]} y_t^n \leq \max_{k=0, \dots, n} y_k^n \leq y_0 + a(1-\beta)e^{bT}y_0^{-\gamma}T + \sigma(b \vee 2)(1-\beta)(1+T)e^{b(1-\beta)T}\|w\|_{\infty;T}.$$

That achieves the proof because the right hand side of inequality (15) is not depending on  $n$ .  $\square$

With ideas of A. Lejay [13], Proposition 5, we show that  $(y^n, n \in \mathbb{N}^*)$  converges and provide a rate of convergence :

**Theorem 3.9.** *Under assumptions 1.1 and 3.1,  $(y^n, n \in \mathbb{N}^*)$  is uniformly converging to  $y$ , the solution of equation (3) for initial condition  $y_0$ , with rate  $n^{-\alpha \min(1, \gamma)}$ .*

*Proof.* It follows the same pattern that Proof of [13], Proposition 5.

Consider  $n \in \mathbb{N}^*$ ,  $t \in [0, T]$  and  $y$  the solution of equation (3) with initial condition  $y_0 > 0$ . Since  $(t_k^n; k = 0, \dots, n)$  is a subdivision of  $[0, T]$ , there exists an integer  $0 \leq k \leq n-1$  such that  $t \in [t_k^n, t_{k+1}^n[$ .

First of all, note that :

$$(16) \quad |y_t^n - y_t| \leq |y_t^n - y_k^n| + |y_k^n - z_k^n| + |z_k^n - y_t|$$

where,  $z_i^n = y_{t_i^n}$  for  $i = 0, \dots, n$ . Since  $y$  is the solution of equation (3),  $z_k^n$  and  $z_{k+1}^n$  satisfy :

$$z_{k+1}^n = z_k^n + \frac{a(1-\beta)T}{n} (z_{k+1}^n)^{-\gamma} e^{bt_{k+1}^n} + \tilde{w}_{t_{k+1}^n} - \tilde{w}_{t_k^n} + \varepsilon_k^n$$

where,

$$\varepsilon_k^n = a(1-\beta) \int_{t_k^n}^{t_{k+1}^n} (y_s^{-\gamma} e^{bs} - y_{t_{k+1}^n}^{-\gamma} e^{bt_{k+1}^n}) ds.$$

In order to conclude, we have to show that  $|y_k^n - z_k^n|$  is bounded by a quantity not depending on  $k$  and converging to 0 when  $n$  goes to infinity :

On one hand, for every  $(u, v) \in \Delta_T$ ,

$$\begin{aligned} |e^{bv} y_v^{-\gamma} - e^{bu} y_u^{-\gamma}| &= \left| \frac{e^{bv} y_u^\gamma - e^{bu} y_v^\gamma}{y_v^\gamma y_u^\gamma} \right| \\ &\leq \frac{1}{|y_u y_v|^\gamma} (e^{bv} |y_u^\gamma - y_v^\gamma| + |y_v|^\gamma |e^{bu} - e^{bv}|) \\ &\leq e^{bT} \|y^{-\gamma}\|_{\infty; T}^2 \left( \|y\|_{\alpha\text{-H\"{o}l}; T}^{\min(1, \gamma)} |v - u|^{\alpha \min(1, \gamma)} + b \|y\|_{\infty; T}^\gamma |v - u| \right) \end{aligned}$$

because  $s \in \mathbb{R}_+ \mapsto s^\gamma$  is  $\gamma$ -H\"{o}lder continuous with constant 1 if  $\gamma \in ]0, 1]$  and locally Lipschitz continuous otherwise,  $y$  admits a strictly positive minimum and is  $\alpha$ -H\"{o}lder continuous, and  $s \in [0, T] \mapsto e^{bs}$  is Lipschitz continuous with constant  $b e^{bT}$ . In particular, if  $|v - u| \leq 1$ ,

$$|e^{bv} y_v^{-\gamma} - e^{bu} y_u^{-\gamma}| \leq e^{bT} \|y^{-\gamma}\|_{\infty; T}^2 \left( \|y\|_{\alpha\text{-H\"{o}l}; T}^\mu + b \|y\|_{\infty; T}^\gamma \right) |v - u|^{\alpha\mu}$$

where  $\mu = \min(1, \gamma)$ .

Then, for  $i = 0, \dots, k$ ,

$$\begin{aligned} |\varepsilon_i^n| &\leq a(1-\beta) \int_{t_i^n}^{t_{i+1}^n} |y_s^{-\gamma} e^{bs} - y_{t_{i+1}^n}^{-\gamma} e^{bt_{i+1}^n}| ds \\ &\leq a(1-\beta) \|e^{b \cdot} y^{-\gamma}\|_{\alpha\mu\text{-H\"{o}l}; T} \int_{t_i^n}^{t_{i+1}^n} (t_{i+1}^n - s)^{\alpha\mu} ds \\ (17) \quad &\leq \frac{a(1-\beta)}{\alpha\mu + 1} T^{\alpha\mu+1} \|e^{b \cdot} y^{-\gamma}\|_{\alpha\mu\text{-H\"{o}l}; T} \frac{1}{n^{\alpha\mu+1}}. \end{aligned}$$

On the other hand, for each integer  $i$  between 0 and  $k-1$ , we consider the two following cases (which are almost symmetric) :

(1) Suppose that  $y_{i+1}^n \geq z_{i+1}^n$ . Then,

$$(y_{i+1}^n)^{-\gamma} - (z_{i+1}^n)^{-\gamma} \leq 0.$$

Therefore,

$$\begin{aligned} |y_{i+1}^n - z_{i+1}^n| &= y_{i+1}^n - z_{i+1}^n \\ &= y_i^n - z_i^n + \frac{a(1-\beta)T}{n} e^{bt_{i+1}^n} [(y_{i+1}^n)^{-\gamma} - (z_{i+1}^n)^{-\gamma}] - \varepsilon_i^n \\ &\leq |y_i^n - z_i^n| + |\varepsilon_i^n|. \end{aligned}$$

(2) Suppose that  $z_{i+1}^n > y_{i+1}^n$ . Then,

$$(z_{i+1}^n)^{-\gamma} - (y_{i+1}^n)^{-\gamma} < 0.$$

Therefore,

$$\begin{aligned} |z_{i+1}^n - y_{i+1}^n| &= z_{i+1}^n - y_{i+1}^n \\ &= z_i^n - y_i^n + \frac{a(1-\beta)T}{n} e^{bt_{i+1}^n} [(z_{i+1}^n)^{-\gamma} - (y_{i+1}^n)^{-\gamma}] + \varepsilon_i^n \\ &\leq |y_i^n - z_i^n| + |\varepsilon_i^n|. \end{aligned}$$

By putting these cases together :

$$(18) \quad \forall i = 0, \dots, k-1, |z_{i+1}^n - y_{i+1}^n| \leq |z_i^n - y_i^n| + |\varepsilon_i^n|.$$

By applying (18) recursively from  $k-1$  down to 0 :

$$\begin{aligned} |y_k^n - z_k^n| &\leq |y_0 - z_0| + \sum_{i=0}^{k-1} |\varepsilon_i^n| \\ (19) \quad &\leq \frac{a(1-\beta)}{\alpha\mu+1} T^{\alpha\mu+1} \|e^{b \cdot} y^{-\gamma}\|_{\alpha\mu\text{-H\"{o}l};T} \frac{1}{n^{\alpha\mu}} \xrightarrow{n \rightarrow \infty} 0 \end{aligned}$$

because  $y_0 = z_0$  and by inequality (17).

Moreover, from inequality (19), there exists  $N \in \mathbb{N}^*$  such that for every integer  $n > N$ ,

$$|y_{k+1}^n - z_{k+1}^n| \leq \max_{i=1, \dots, n} |y_i^n - z_i^n| \leq m_y$$

where,

$$m_y = \frac{1}{2} \min_{s \in [0, T]} y_s.$$

In particular,

$$y_{k+1}^n \geq z_{k+1}^n - m_y \geq m_y.$$

Then  $(y_{k+1}^n)^{-\gamma} \leq m_y^{-\gamma}$ , and

$$\begin{aligned} |y_t^n - y_k^n| &= |y_{k+1}^n - y_k^n| \frac{t - t_k^n}{t_{k+1}^n - t_k^n} \\ &\leq [a(1-\beta)T e^{bT} m_y^{-\gamma} + \|\tilde{w}\|_{\alpha\text{-H\"{o}l};T}] \frac{1}{n^\alpha} \xrightarrow{n \rightarrow \infty} 0. \end{aligned}$$

In conclusion, from inequality (16) :

$$\begin{aligned} (20) \quad |y_t^n - y_t| &\leq [a(1-\beta)T e^{bT} m_y^{-\gamma} + \|\tilde{w}\|_{\alpha\text{-H\"{o}l};T} + \|y\|_{\alpha\text{-H\"{o}l};T}] \frac{1}{n^\alpha} + \\ &\quad \frac{a(1-\beta)}{\alpha\mu+1} T^{\alpha\mu+1} \|e^{b \cdot} y^{-\gamma}\|_{\alpha\mu\text{-H\"{o}l};T} \frac{1}{n^{\alpha\mu}} \xrightarrow{n \rightarrow \infty} 0. \end{aligned}$$

That achieves the proof because the right hand side of inequality (20) is not depending on  $t$ .  $\square$

Finally, for every  $n \in \mathbb{N}^*$  and  $t \in [0, T]$ , consider  $x_t^n = e^{-bt}(y_t^n)^{\gamma+1}$ .

The following corollary shows that  $(x^n, n \in \mathbb{N}^*)$  is a converging approximation for  $x = \tilde{\pi}(0, x_0; w)$  with  $x_0 > 0$ . Moreover, as the Euler approximation, it is just necessary to know  $x_0, w$  and, parameters  $a, b, \sigma > 0$  and  $\beta > 1 - \alpha$  to approximate the whole path  $x$  by  $x^n$  :

**Corollary 3.10.** *Under assumptions 1.1 and 3.1,  $(x^n, n \in \mathbb{N}^*)$  is uniformly converging to  $x$  with rate  $n^{-\alpha \min(1, \gamma)}$ .*

*Proof.* For a given  $x_0 > 0$ , we shown that  $x = e^{-b \cdot} y^{\gamma+1}$  is the solution of equation (2) by putting  $y_0 = x_0^{1-\beta}$ , where  $y$  is the solution of equation (3) with initial condition  $y_0$ .

From Theorem 3.9 :

$$\begin{aligned} \|x - x^n\|_{\infty; T} &\leq C \|y - y^n\|_{\infty; T} \\ &\leq C \left[ a(1 - \beta) T e^{bT} m_y^{-\gamma} + \|\tilde{w}\|_{\alpha\text{-Hö}; T} + \|y\|_{\alpha\text{-Hö}; T} \right] \frac{1}{n^\alpha} + \\ &\quad C \frac{a(1 - \beta)}{\alpha\mu + 1} T^{\alpha\mu+1} \|e^{b \cdot} y^{-\gamma}\|_{\alpha\mu\text{-Hö}; T} \frac{1}{n^{\alpha\mu}} \xrightarrow{n \rightarrow \infty} 0 \end{aligned}$$

where,  $C$  is the Lipschitz constant of  $s \mapsto s^{\gamma+1}$  on

$$\left[ 0, \|y\|_{\infty; T} + \sup_{n \in \mathbb{N}^*} \|y^n\|_{\infty; T} \right].$$

Then,  $(x^n, n \in \mathbb{N}^*)$  is uniformly converging to  $x$  with rate  $n^{-\alpha \min(1, \gamma)}$ .  $\square$

**Remark.** When  $\alpha > 1/2$ ;  $\beta > 1 - \alpha > 1/2$  and then  $\gamma > 1$ . Therefore,  $(x^n, n \in \mathbb{N}^*)$  is uniformly converging with rate  $n^{-\alpha} < n^{1-2\alpha}$ . In other words, the approximation of Corollary 3.10 converges faster than the classic Euler approximation for equations satisfying assumptions of [13], Propositions 5.

#### 4. PROBABILISTIC PROPERTIES OF THE GENERALIZED MEAN-REVERTING EQUATION

Consider the Gaussian process  $W$  and the probability space  $(\Omega, \mathcal{A}, \mathbb{P})$  introduced at Section 2. Under Assumption 2.8, almost every paths of  $W$  are satisfying Assumption 3.1. Then, under assumptions 1.1 and 2.8, results of Section 3 hold true for  $\tilde{\pi}_V(0, x_0; W)$ , with deterministic initial condition  $x_0 > 0$ .

This section is essentially devoted to complete them on probabilistic side. In particular, we prove that  $\tilde{\pi}_V(0, x_0; W)$  belongs to  $L^p(\Omega)$  for every  $p \geq 1$ . We also show that the approximation introduced at Section 3 for  $\tilde{\pi}_V(0, x_0; W)$  is converging in  $L^p(\Omega)$  for every  $p \geq 1$ .

**Remark.** Since  $W$  is an 1-dimensional process, as mentioned at Section 2, there exists an explicit geometric  $1/\alpha$ -rough path  $\mathbb{W}$  over it. That explains why Assumption 2.8 is sufficient to extend deterministic results of Section 3 to  $\tilde{\pi}_V(0, x_0; W)$ .

**4.1. Basic probabilistic properties.** In this subsection, we show what happens to  $X = \tilde{\pi}_V(0, x_0; W)$  when  $W$  has stationary increments or satisfies a self-similar property :

**Proposition 4.1.** *Assume that  $W$  satisfies Assumption 2.8 and there exists  $h > 0$  such that :*

$$W_{\cdot+h} - W_h \stackrel{\mathcal{D}}{=} W.$$



Under Assumption 1.1, for every deterministic initial condition  $x_0 > 0$ ,

$$\tilde{\pi}_{V;0,t+h}(0, x_0; W) \stackrel{\mathcal{D}}{=} \tilde{\pi}_{V;0,t}(0, X_h; W)$$

for every  $t \in [0, T]$ .

*Proof.* By Proposition 3.3,  $X$  has almost surely continuous and strictly positive paths on  $[0, T]$ . Then, by Theorem 2.7 applied to almost every paths of  $X$  and to the map  $u \mapsto u^{1-\beta}$  between 0 and  $t \in [0, T]$  :

$$X_t^{1-\beta} = x_0^{1-\beta} + (1-\beta) \int_0^t X_u^{-\beta} (a - bX_u) du + \sigma(1-\beta)W_t.$$

Therefore,  $X_{\cdot+h}^{1-\beta} \stackrel{\mathcal{D}}{=} Z(h)$  where,

$$Z_t(h) = X_h^{1-\beta} + (1-\beta) \int_0^t Z_u^{-\gamma}(h) [a - bZ_u^{\gamma+1}(h)] du + \sigma(1-\beta)W_t ; t \in [0, T]$$

because  $W_{\cdot+h} - W_h \stackrel{\mathcal{D}}{=} W$ .

In conclusion, by applying Theorem 2.7 to almost every paths of  $Z(h)$  and to the map  $u \mapsto u^{\gamma+1}$  :

$$X_{t+h} - X_h \stackrel{\mathcal{D}}{=} \int_0^t (a - bX_{u+h}) du + \sigma \int_0^t X_{u+h}^{\beta} dW_u$$

for every  $t \in [0, T]$ .  $\square$

**Proposition 4.2.** Assume that  $W$  satisfies Assumption 2.8 and there exists  $h > 0$  such that :

$$\forall \varepsilon > 0, W_{\varepsilon} \stackrel{\mathcal{D}}{=} \varepsilon^h W.$$

Under Assumption 1.1, for every deterministic initial condition  $x_0 > 0$ ,

$$\tilde{\pi}_{V;0,\varepsilon t}(0, x_0; W) \stackrel{\mathcal{D}}{=} \tilde{\pi}_{V_{\varepsilon,h};0,t}(0, x_0; W)$$

for every  $t \in [0, T]$  and  $\varepsilon > 0$ , with :

$$\forall x \in \mathbb{R}_+, \forall t, w \in \mathbb{R}, V_{\varepsilon,h}(x).(t, w) = \varepsilon(a - bx)t + \sigma\varepsilon^h x^{\beta} w.$$

*Proof.* By Proposition 3.3,  $X$  has almost surely continuous and strictly positive paths on  $[0, T]$ . Then, by Theorem 2.7 applied to almost every paths of  $X$  and to the map  $u \mapsto u^{1-\beta}$  between 0 and  $t \in [0, T]$  :

$$X_t^{1-\beta} = x_0^{1-\beta} + (1-\beta) \int_0^t X_u^{-\beta} (a - bX_u) du + \sigma(1-\beta)W_t.$$

Therefore, for every  $\varepsilon > 0$ ,  $X_{\varepsilon}^{1-\beta} \stackrel{\mathcal{D}}{=} Z(\varepsilon)$  where,

$$Z_t(\varepsilon) = x_0^{1-\beta} + \varepsilon(1-\beta) \int_0^t Z_u^{-\gamma}(\varepsilon) [a - bZ_u^{\gamma+1}(\varepsilon)] du + \varepsilon^h \sigma(1-\beta)W_t ; t \in [0, T]$$

because  $W_{\varepsilon} \stackrel{\mathcal{D}}{=} \varepsilon^h W$ .

In conclusion, by applying Theorem 2.7 to almost every paths of  $Z(\varepsilon)$  and to the map  $u \mapsto u^{\gamma+1}$  :

$$X_{\varepsilon t} \stackrel{\mathcal{D}}{=} x_0 + \varepsilon \int_0^t (a - bX_{\varepsilon u}) du + \sigma\varepsilon^h \int_0^t X_{\varepsilon u}^{\beta} dW_u$$

for every  $t \in [0, T]$  and  $\varepsilon > 0$ .  $\square$

**Remark.** Typically, mean-reverting equations driven by a fractional Brownian motion are concerned by propositions 4.1 and 4.2.

**4.2. Integrability and convergence results.** Consider the implicit Euler approximation  $(Y^n, n \in \mathbb{N}^*)$  for the following SDE :

$$Y_t = y_0 + a(1 - \beta) \int_0^t Y_s^{-\gamma} e^{bs} ds + \tilde{W}_t ; t \in [0, T], y_0 > 0$$

where,

$$\tilde{W}_t = \int_0^t \vartheta_s dW_s \text{ and } \vartheta_t = \sigma(1 - \beta)e^{b(1-\beta)t}$$

for every  $t \in [0, T]$ .

**Proposition 4.3.** *Under assumptions 1.1 and 2.8, for every deterministic initial condition  $x_0 > 0$ ,*

- (1)  $\|\tilde{\pi}_V(0, x_0; W)\|_{\infty; T}$  belongs to  $L^p(\Omega)$  for every  $p \geq 1$ .
- (2) For every  $p \geq 1$ ,

$$\sup_{n \in \mathbb{N}^*} \|X^n\|_{\infty; T} \in L^p(\Omega)$$

where, for every  $n \in \mathbb{N}^*$ ,  $X^n = e^{-b \cdot} (Y^n)^{\gamma+1}$  with  $y_0 = x_0^{1-\beta}$ .

*Proof.* On one hand, by Proposition 3.4 and Fernique's theorem :

$$\begin{aligned} \|\tilde{\pi}_V(0, x_0; W)\|_{\infty; T} &\leq \left[ x_0^{1-\beta} + a(1 - \beta)e^{bT} x_0^{-\beta} T + \right. \\ &\quad \left. \sigma(b \vee 2)(1 - \beta)(1 + T)e^{b(1-\beta)T} \|W\|_{\infty; T} \right]^{\gamma+1} \in L^p(\Omega) \end{aligned}$$

for every  $p \geq 1$ .

On the other hand, by Lemma 3.8 and Fernique's theorem :

$$\begin{aligned} \sup_{n \in \mathbb{N}^*} \|Y^n\|_{\infty; T} &\leq y_0 + a(1 - \beta)e^{bT} y_0^{-\gamma} T + \\ &\quad \sigma(b \vee 2)(1 - \beta)(1 + T)e^{b(1-\beta)T} \|W\|_{\infty; T} \in L^q(\Omega) \end{aligned}$$

for every  $q \geq 1$ . Then, by putting  $q = (\gamma + 1)p$  for every  $p \geq 1$ ,

$$\sup_{n \in \mathbb{N}^*} \|X^n\|_{\infty; T} \in L^p(\Omega).$$

□

**Corollary 4.4.** *Under assumptions 1.1 and 2.8, for every deterministic initial condition  $x_0 > 0$ ,  $(X^n, n \in \mathbb{N}^*)$  is uniformly converging to  $\tilde{\pi}_V(0, x_0; w)$  in  $L^p(\Omega)$  for every  $p \geq 1$ .*

*Proof.* By Corollary 3.10 :

$$\|X^n - \tilde{\pi}_V(0, x_0; W)\|_{\infty; T} \xrightarrow[n \rightarrow \infty]{\mathbb{P}\text{-a.s.}} 0.$$

Then, by Proposition 4.3 and Vitali's convergence theorem,  $(X^n, n \in \mathbb{N}^*)$  is uniformly converging to  $\tilde{\pi}_V(0, x_0; W)$  in  $L^p(\Omega)$  for every  $p \geq 1$ . □

**Remark.** Note that Proposition 4.3 is crucial to ensure this convergence in  $L^p(\Omega)$  for every  $p \geq 1$ . Indeed, inequality (20) doesn't allow to conclude because it is not sure that  $\|e^{b \cdot} Y^{-\gamma}\|_{\alpha\mu\text{-H\"ol}; T} \in L^1(\Omega)$ .

For example, let simulate  $(X^n, n \in \mathbb{N}^*)$  with  $T = 1$ ,  $x_0 = 1$ ,  $a = 6$ ,  $b = 4$ ,  $\sigma = 1$ ,  $\beta = 0.8$  and a fractional Brownian motion  $B^H$  with Hurst parameter  $H \in \{0.3, 0.8\}$  :

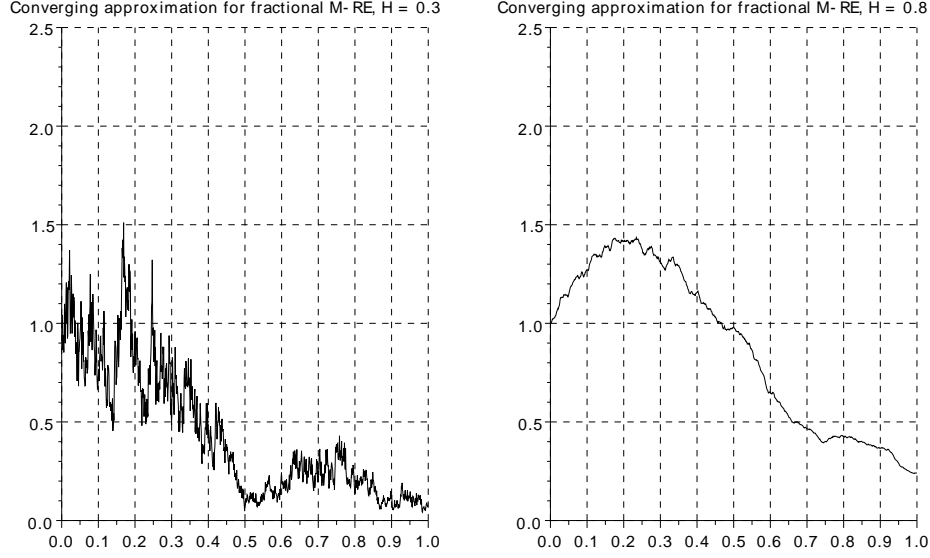


FIGURE 1. Converging approximations for fractional M-R equations

**4.3. A large deviation principle for the generalized M-R equation.** We establish a large deviation principle for the generalized mean-reverting equation (as P. Friz and N. Victoir at [7], Section 19.4).

First of all, let's remind basics on large deviations (for details, the reader can refer to [2]).

Throughout this subsection, assume that  $\inf(\emptyset) = \infty$ .

**Definition 4.5.** Let  $E$  be a topological space and let  $I : E \rightarrow [0, \infty]$  be a good rate function (i.e. a lower semicontinuous map such that  $\{x \in E : I(x) \leq \lambda\}$  is a compact subset of  $E$  for every  $\lambda \geq 0$ ).

A family  $(\mu_\varepsilon, \varepsilon > 0)$  of probability measures on  $(E, \mathcal{B}(E))$  satisfies a large deviation principle with good rate function  $I$  if and only if, for every  $A \in \mathcal{B}(E)$ ,

$$-I(A^\circ) \leq \liminf_{\varepsilon \rightarrow 0} \varepsilon \log [\mu_\varepsilon(A)] \leq \limsup_{\varepsilon \rightarrow 0} \varepsilon \log [\mu_\varepsilon(A)] \leq -I(\bar{A})$$

where,

$$\forall A \in \mathcal{B}(E), I(A) = \inf_{x \in A} I(x).$$

**Proposition 4.6.** Consider  $E$  and  $F$  two Hausdorff topological spaces, a continuous map  $f : E \rightarrow F$  and a family  $(\mu_\varepsilon, \varepsilon > 0)$  of probability measures on  $(E, \mathcal{B}(E))$ .

If  $(\mu_\varepsilon, \varepsilon > 0)$  satisfies a large deviation principle with good rate function  $I : E \rightarrow [0, \infty]$ , then  $(\mu_\varepsilon \circ f^{-1}, \varepsilon > 0)$  satisfies a large deviation principle on  $(F, \mathcal{B}(F))$  with good rate function  $J : F \rightarrow [0, \infty]$  such that :

$$J(y) = \inf \{I(x); x \in E \text{ and } f(x) = y\}$$

for every  $y \in F$ .

That result is called contraction principle. The reader can refer to [2], Lemma 4.1.6 for a proof.

Consider the space  $C^{0,\alpha}([0, T]; \mathbb{R})$  of functions  $\varphi \in C^{\alpha\text{-H\"{o}l}}([0, T]; \mathbb{R})$  such that :

$$\lim_{\delta \rightarrow 0^+} \omega_\varphi(\delta) = 0 \text{ with } \omega_\varphi(\delta) = \sup_{\substack{(s, t) \in \Delta_T \\ |t - s| \leq \delta}} \frac{|\varphi(t) - \varphi(s)|}{|t - s|}$$

for every  $\delta > 0$ .

In the sequel,  $C^{0,\alpha}([0, T]; \mathbb{R})$  is equipped with  $\|\cdot\|_{\alpha\text{-H\"{o}l}; T}$  and the Borel  $\sigma$ -field generated by open sets of the  $\alpha$ -H\"{o}lder topology. The same way,  $C^0([0, T]; \mathbb{R})$  is equipped with  $\|\cdot\|_{\infty; T}$  and the Borel  $\sigma$ -field generated by open sets of the uniform topology.

Now, suppose that  $W$  satisfies :

**Assumption 4.7.** *There exists  $h > 0$  such that :*

$$\forall \varepsilon > 0, W_\varepsilon \stackrel{\mathcal{D}}{=} \varepsilon^h W.$$

Moreover,  $\mathcal{H}_W^1 \subset C^{0,\alpha}([0, T]; \mathbb{R})$  and  $(C^{0,\alpha}([0, T]; \mathbb{R}), \mathcal{H}_W^1, \mathbb{P})$  is an abstract Wiener space.

**Remarks :**

- (1) The notion of abstract Wiener space is defined and detailed in M. Ledoux [12].
- (2) Typically, the fractional Brownian motion with Hurst parameter  $H > 1/4$  satisfies Assumption 4.7 (cf. [17], Proposition 4.1).

Consider the stochastic differential equation :

$$(21) \quad X_t = x_0 + \frac{1}{\delta} \int_0^t (a - bX_s) ds + \frac{\sigma}{\delta^{h-1}} \int_0^t X_s^\beta dW_s ; t \in [0, T]$$

where,  $x_0 > 0$  is a deterministic initial condition,  $a, b, \sigma, \delta > 0$  and  $\beta \in ]0, 1]$  satisfies Assumption 1.1.

Under assumptions 1.1 and 2.8, by propositions 3.3 and 4.3, equation (21) admits a unique solution belonging to  $L^p(\Omega)$  for every  $p \geq 1$ .

Moreover, under Assumption 4.7, by Proposition 4.2 :

$$(22) \quad X_{\varepsilon t} = x_0 + \frac{\varepsilon}{\delta} \int_0^t (a - bX_{\varepsilon s}) ds + \frac{\sigma \varepsilon^h}{\delta^{h-1}} \int_0^t X_{\varepsilon s}^\beta dW_s$$

for every  $t \in [0, T]$  and  $\varepsilon > 0$ .

In the sequel, assume that  $\delta = \varepsilon$ . Then,  $X_\varepsilon$  satisfies :

$$X_\varepsilon = \tilde{\pi}_V(0, x_0; \varepsilon W)$$

where,  $V$  is the map defined on  $\mathbb{R}_+$  by :

$$\forall x \in \mathbb{R}_+, \forall t, w \in \mathbb{R}, V(x).(t, w) = (a - bx)t + \sigma x^\beta w.$$

Let show that  $(X_\varepsilon, \varepsilon > 0)$  satisfies a large deviation principle :

**Proposition 4.8.** *Consider  $x_0 > 0$ . Under assumptions 1.1, 2.8 and 4.7,  $(X_\varepsilon, \varepsilon > 0)$  satisfies a large deviation principle on  $C^0([0, T]; \mathbb{R})$  with good rate function  $J : C^0([0, T]; \mathbb{R}) \rightarrow [0, \infty]$  defined by :*

$$\forall y \in C^0([0, T]; \mathbb{R}), J(y) = \inf \{ I(w); w \in C^{\alpha, 0}([0, T]; \mathbb{R}) \text{ and } y = \tilde{\pi}_V(0, x_0; w) \}$$

where,

$$I(w) = \begin{cases} \frac{1}{2}\|w\|_{\mathcal{H}_W^1} & \text{if } w \in \mathcal{H}_W^1 \\ \infty & \text{if } w \notin \mathcal{H}_W^1 \end{cases}$$

for every  $w \in C^{0,\alpha}([0, T]; \mathbb{R})$ .

*Proof.* Since  $C^{0,\alpha}([0, T]; \mathbb{R}) \subset C^{\alpha\text{-Hö}}([0, T]; \mathbb{R})$  by construction, Proposition 3.5 implies that  $\tilde{\pi}_V(0, x_0; \cdot)$  is continuous from

$$C^{0,\alpha}([0, T]; \mathbb{R}) \text{ into } C^0([0, T]; \mathbb{R}).$$

On the other hand, under Assumption 4.7, by M. Ledoux [12], Theorem 4.5 ;  $(\varepsilon W, \varepsilon > 0)$  satisfies a large deviation principle on  $C^{0,\alpha}([0, T]; \mathbb{R})$  with good rate function  $I$ .

Therefore, since  $X_{\varepsilon} = \tilde{\pi}_V(0, x_0; \varepsilon W)$  for every  $\varepsilon > 0$ , by the contraction principle (Proposition 4.6),  $(X_{\varepsilon}, \varepsilon > 0)$  satisfies a large deviation principle on  $C^0([0, T]; \mathbb{R})$  with good rate function  $J$ .  $\square$

## 5. A GENERALIZED MEAN-REVERTING PHARMACOKINETIC MODEL

We study a pharmacokinetic model based on a particular generalized mean-reverting equation (inspired by K. Kalogeropoulos et al. [11]).

In order to study the absorption/elimination processes of a given drug, the following deterministic mono-compartment model is classically used :

$$(23) \quad C_t = \int_0^t \left( \frac{A_0 K_a}{v} e^{-K_a s} - K_e C_s \right) ds ; t \in [0, T]$$

where :

- $A_0 > 0$  is the dose administered to the patient at initial time.
- $v > 0$  is the volume of the elimination compartment  $E$  (extra-vascular tissues).
- $K_a \geq 0$  is the rate of absorption in compartment  $A$ . If the drug is administered by rapid injection, an IV bolus injection, it is natural to take  $K_a = 0$ .
- $K_e > 0$  is the rate of elimination in compartment  $E$ , describing removal of the drug by all elimination processes including excretion and metabolism.
- $C_t$  is the concentration of the drug in compartment  $E$  at time  $t \in [0, T]$ .

**Remark.** About deterministic pharmacokinetic models, the reader can refer to Y. Jacomet [8].

Recently, in order to modelize perturbations during the elimination processes, stochastic generalizations of (23) has been studied :

$$C_t = \int_0^t \left( \frac{A_0 K_a}{v} e^{-K_a s} - K_e C_s \right) ds + \int_0^t \sigma(s, C_s) dB_s ; t \in [0, T]$$

where,  $B$  is a standard Brownian motion and the stochastic integral is taken in the sense of Itô. For example, in K. Kalogeropoulos et al. [11] :

$$C_t = \int_0^t \left( \frac{A_0 K_a}{v} e^{-K_a s} - K_e C_s \right) ds + \sigma \int_0^t C_s^\beta dB_s ; t \in [0, T]$$

with  $\sigma > 0$  and  $\beta \in [0, 1]$ .

However, these models aren't realistic (cf. M. Delattre and M. Lavielle [3]), because the obtained process  $C$  is too rough.

Since probabilistic properties of Itô's integral aren't particularly interesting in that situation, if the drug is administered by rapid injection,  $C$  could be the solution of equation (1) with  $C_0 = A_0/v$ ,  $a = 0$  and  $b = K_e$ .

In order to bypass the difficulty of the standard Brownian motion's paths roughness, one can take a Gaussian process  $W$  satisfying Assumption 2.8 with  $\alpha$  close to 1. Typically, a fractional Brownian motion  $B^H$  with a high Hurst parameter  $H$  (cf. simulations below).

Precisely :

$$(24) \quad C_t = \frac{A_0}{v} - K_e \int_0^t C_s ds + \sigma \int_0^t C_s^\beta dW_s$$

where the stochastic integral is taken pathwise, in the sense of Young. Moreover, since  $a = 0$ , we shown at Section 3 that until it hits zero, the solution of equation (24) is matching with the process  $X$  defined by :

$$\forall t \in \mathbb{R}_+, X_t = \left| \left( \frac{A_0}{v} \right)^{1-\beta} + \tilde{W}_t \right|^{\gamma+1} e^{-K_e t} \text{ with } \tilde{W}_t = \sigma(1-\beta) \int_0^t e^{b(1-\beta)s} dW_s.$$

It is natural to assume that when the concentration hits 0, the elimination process stops. Then, we put  $C = X \mathbf{1}_{[0, \tau_0^1 \wedge T[}$  where  $T > 0$  is a deterministic fixed time.

For example, let simulate that model with  $A_0 = v$ ,  $K_e = 4$ ,  $\sigma = 1$ ,  $\beta = 0.8$  and a fractional Brownian motion  $B^H$  with Hurst parameter  $H \in \{0.6, 0.9\}$  :

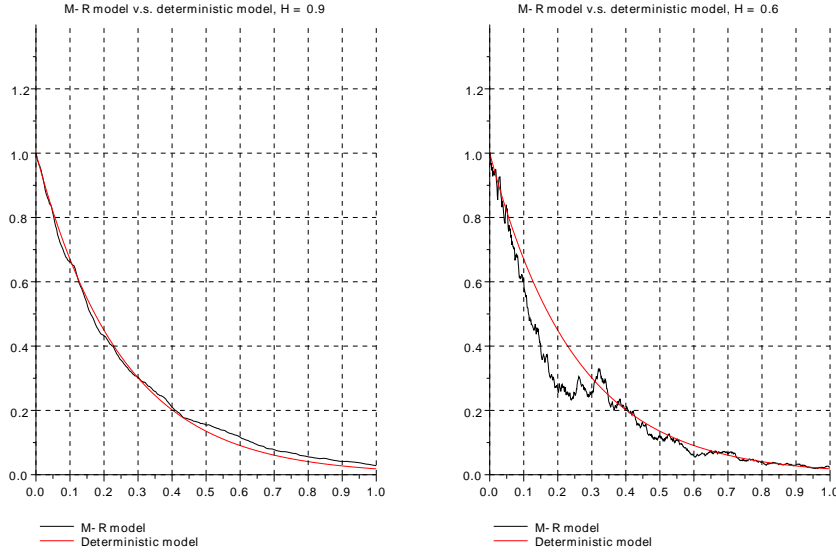


FIGURE 2. GM-R model v.s. deterministic model currently used

Even with  $H = 0.6$ , the solution seems not to be realistic. With  $H = 0.9$ , there is just little perturbations in the elimination process.

In the sequel, we also consider the process  $Z = X^{1-\beta}$ . Its covariance function

is denoted by  $c_Z$ .

For clinical applications, parameters  $K_e$ ,  $\sigma$  and  $\beta$  have to be estimated. Consider a dissection  $(t_0, \dots, t_n)$  of  $[0, T]$  for  $n \in \mathbb{N}^*$ . We also put  $x_i = X_{t_i}$  and  $z_i = Z_{t_i}$  for  $i = 0, \dots, n$ . The following proposition provides the likelihood function of  $(x_1, \dots, x_n)$  which can be approximatively maximized with respect to the parameter  $\theta = (K_e, \sigma, \beta)$  by various numerical methods (not studied in this paper) :

**Proposition 5.1.** *Under assumptions 1.1 and 2.8, the likelihood function of  $(x_1, \dots, x_n)$  is given by :*

$$L(\theta; x_1, \dots, x_n) = \frac{2^n (1 - \beta)^n \mathbf{1}_{x_1 > 0, \dots, x_n > 0}}{(2\pi)^{n/2} \sqrt{\det[\Gamma(K_e, \sigma, \beta)]}} \prod_{i=1}^n x_i^{-\beta} \times \\ \exp \left[ -\frac{1}{2} \langle \Gamma^{-1}(K_e, \sigma, \beta) \begin{pmatrix} x_1^{1-\beta} - C_0^{1-\beta} e^{-K_e(1-\beta)t_1} \\ \vdots \\ x_n^{1-\beta} - C_0^{1-\beta} e^{-K_e(1-\beta)t_n} \end{pmatrix} ; \right. \\ \left. \begin{pmatrix} x_1^{1-\beta} - C_0^{1-\beta} e^{-K_e(1-\beta)t_1} \\ \vdots \\ x_n^{1-\beta} - C_0^{1-\beta} e^{-K_e(1-\beta)t_n} \end{pmatrix} \rangle \right]$$

where,

$$\sigma^2(\theta) = \text{Var}(z_1, \dots, z_n) \text{ and } \Gamma(\theta) = \begin{bmatrix} \sigma_1^2(\theta) & \dots & c_Z(t_1, t_n) \\ \vdots & \ddots & \vdots \\ c_Z(t_n, t_1) & \dots & \sigma_n^2(\theta) \end{bmatrix}.$$

*Proof.* Since  $\tilde{W}$  is a centered Gaussian process as a Wiener integral against  $W$  ;  $z_1, \dots, z_n$  are  $n$  Gaussian random variables. We denote by  $f_{1, \dots, n}(\theta; \cdot)$  the natural density of  $(z_1, \dots, z_n)$  with respect to the Lebesgue measure on  $(\mathbb{R}^n, \mathcal{B}(\mathbb{R}^n))$ .

Consider an arbitrary Borel bounded map  $\varphi : \mathbb{R}^n \rightarrow \mathbb{R}$ . By the transfer theorem :

$$\begin{aligned} \mathbb{E}[\varphi(x_1, \dots, x_n)] &= \mathbb{E}[\varphi(|z_1|^{\gamma+1}, \dots, |z_n|^{\gamma+1})] \\ &= 2^n \int_{\mathbb{R}_+^n} \varphi(a_1^{\gamma+1}, \dots, a_n^{\gamma+1}) f_{1, \dots, n}(\theta; a_1, \dots, a_n) da_1 \dots da_n \end{aligned}$$

by reduction to canonical form of quadratic forms.

Put  $u_i = a_i^{\gamma+1}$  for  $a_i \in \mathbb{R}_+^*$  and  $i = 1, \dots, n$ . Then,

$$(a_1, \dots, a_n) = (u_1^{\frac{1}{\gamma+1}}, \dots, u_n^{\frac{1}{\gamma+1}}) \text{ and } |J(u_1, \dots, u_n)| = \frac{1}{(\gamma+1)^n} \prod_{i=1}^n u_i^{-\frac{\gamma}{\gamma+1}}$$

where,  $J(u_1, \dots, u_n)$  denotes the Jacobian of :

$$(u_1, \dots, u_n) \in (\mathbb{R}_+^*)^n \mapsto (u_1^{\frac{1}{\gamma+1}}, \dots, u_n^{\frac{1}{\gamma+1}}).$$

By applying that change of variable :

$$\begin{aligned} \mathbb{E}[\varphi(x_1, \dots, x_n)] &= \frac{2^n}{(\gamma+1)^n} \int_{\mathbb{R}_+^n} du_1 \dots du_n \varphi(u_1, \dots, u_n) \times \\ &\quad f_{1, \dots, n}(\theta; u_1^{\frac{1}{\gamma+1}}, \dots, u_n^{\frac{1}{\gamma+1}}) \prod_{i=1}^n u_i^{-\frac{\gamma}{\gamma+1}}. \end{aligned}$$

Therefore,  $\mathbb{P}_{(x_1, \dots, x_n)}(\theta; du_1, \dots, du_n) = L(\theta; u_1, \dots, u_n) du_1 \dots du_n$  with :

$$\begin{aligned} L(\theta; u_1, \dots, u_n) &= \frac{2^n}{(\gamma+1)^n} f_{1, \dots, n}(\theta; u_1^{\frac{1}{\gamma+1}}, \dots, u_n^{\frac{1}{\gamma+1}}) \prod_{i=1}^n u_i^{-\frac{\gamma}{\gamma+1}} \mathbf{1}_{u_1 > 0, \dots, u_n > 0} \\ &= \frac{2^n (1-\beta)^n \mathbf{1}_{u_1 > 0, \dots, u_n > 0}}{(2\pi)^{n/2} \sqrt{\det[\Gamma(K_e, \sigma, \beta)]}} \prod_{i=1}^n u_i^{-\beta} \times \\ &\quad \exp \left[ -\frac{1}{2} \langle \Gamma^{-1}(K_e, \sigma, \beta) \begin{pmatrix} u_1^{1-\beta} - C_0^{1-\beta} e^{-K_e(1-\beta)t_1} \\ \vdots \\ u_n^{1-\beta} - C_0^{1-\beta} e^{-K_e(1-\beta)t_n} \end{pmatrix} \right. \\ &\quad \left. \begin{pmatrix} u_1^{1-\beta} - C_0^{1-\beta} e^{-K_e(1-\beta)t_1} \\ \vdots \\ u_n^{1-\beta} - C_0^{1-\beta} e^{-K_e(1-\beta)t_n} \end{pmatrix} \rangle \right]. \end{aligned}$$

□

Finally, consider a random time  $\tau \in [0, \tau_0^1 \wedge T]$  and a deterministic function  $F : \mathbb{R}_+ \rightarrow \mathbb{R}$  satisfying the following assumption :

**Assumption 5.2.** *The function  $F$  belongs to  $C^1(\mathbb{R}_+; \mathbb{R})$  and there exists  $(K, N) \in \mathbb{R}_+^* \times \mathbb{N}^*$  such that :*

$$\forall r \in \mathbb{R}_+, |F(r)| \leq K(1+r)^N \text{ and } |\dot{F}(r)| \leq K(1+r)^N.$$

Let show the existence and compute the sensitivity of  $f_\tau(x) = \mathbb{E}[F(C_\tau^x)]$  to variations of the initial concentration  $x > 0$  in compartment  $E$ .

**Proposition 5.3.** *Under assumptions 1.1, 2.8 and 5.2, the function  $f_\tau$  is derivable on  $\mathbb{R}_+^*$  and,*

$$\forall x > 0, \dot{f}_\tau(x) = x^{-\beta} \mathbb{E} \left[ e^{-K_e \tau} \dot{F}(C_\tau^x) (x^{1-\beta} + \tilde{W}_\tau)^\gamma \right].$$

*Proof.* First of all, the function  $x \in \mathbb{R}_+^* \mapsto C_\tau^x$  is almost surely  $C^1$  on  $\mathbb{R}_+^*$  and,

$$\forall x > 0, \partial_x C_\tau^x = x^{-\beta} \left( x^{1-\beta} + \tilde{W}_\tau \right)^\gamma e^{-K_e \tau}.$$

Consider  $x > 0$  and  $\varepsilon \in ]0, 1]$ .

On one hand, since  $F$  belongs to  $C^1(\mathbb{R}_+; \mathbb{R})$ , from Taylor's formula :

$$\begin{aligned} \left| \frac{F(C_\tau^{x+\varepsilon}) - F(C_\tau^x)}{\varepsilon} \right| &= \left| \int_0^1 \dot{F}(C_\tau^{x+\theta\varepsilon}) \partial_x C_\tau^{x+\theta\varepsilon} d\theta \right| \\ &\leq \sup_{\theta \in [0, 1]} K(1 + \|C_\tau^{x+\theta\varepsilon}\|_{\infty; T})^N |\partial_x C_\tau^{x+\theta\varepsilon}| \end{aligned}$$

by Assumption 5.2.

On the other hand, since  $\theta, \varepsilon \in [0, 1]$  :

$$(25) \quad \|C_\tau^{x+\theta\varepsilon}\|_{\infty; T} \leq \left[ (x+1)^{1-\beta} + \|\tilde{W}\|_{\infty; T} \right]^{\gamma+1}$$

and

$$(26) \quad |\partial_x C_\tau^{x+\theta\varepsilon}| \leq x^{-\beta} \left[ (x+1)^{1-\beta} + \|\tilde{W}\|_{\infty; T} \right]^\gamma.$$

By Fernique's theorem, the right hand sides of inequalities (25) and (26) belong to  $L^p(\Omega)$  for every  $p > 0$ . Moreover, these upper-bounds are not depending on  $\theta$  and  $\varepsilon$ .



Therefore, by Lebesgue's theorem,  $f_\tau$  is derivable at point  $x$  and,

$$\dot{f}_\tau(x) = x^{-\beta} \mathbb{E} \left[ e^{-K\epsilon\tau} \dot{F}(C_\tau^x) (x^{1-\beta} + \tilde{W}_\tau)^\gamma \right].$$

□

There is probably many ways to use that result in medical treatments. For example, assume that  $f_\tau(x)$  modelize a part of patient's therapeutic response to the administered drug. Proposition 5.3 provides a way to minimize the initial dose for an optimal response.

#### Remarks :

- (1) By the strong law of large numbers, there exists an almost surely converging estimator for that sensitivity.
- (2) For any  $x > 0$ , one can show the existence of a stochastic process  $h^x$  defined on  $[0, T]$  such that  $\dot{f}_\tau(x) = \mathbb{E}[F(C_\tau^x)\delta(h^x)]$  where,  $\delta$  denotes the divergence operator associated to the Gaussian process  $W$ . Then,  $F$  has not to be derivable anymore by assuming that  $F \in L^2(\mathbb{R}_+^*)$ . It is particularly useful if  $F$  is not continuous at some points.

We don't develop it in that paper because the Malliavin calculus framework has to be introduced before. To understand that idea, please refer to E. Fournié et al. [6] in Brownian motion's case and N.M. [10].

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CEDEX 9

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